

# Indonesia Bans Bitcoin Exchanges – Government Crackdown On Crypto?



Indonesian daily, Pikiran Rakyat (translated as people's thought), reports that Bank Indonesia will enact a regulation that confirms the ban on using virtual currency that has no clear legal aspects, [including bitcoin](#). The regulation is to also prohibit payment system organizers to process and cooperate with parties that facilitate digital currency transactions.

The Governor of Bank Indonesia, Agus Martowardojo, said that this is done to maintain the sovereignty of the rupiah as legal tender in the Unitary State of the Republic of Indonesia, adding that the decision is underpinned by the old chestnut that [digital currencies](#) are also potentially used for money laundering and terrorism financing.

“We also prevent arbitrage opportunities, unhealthy business practices and business controls by parties outside the legal reach of BKRI that could damage industrial structures,” said Agus during the Annual Meeting of Bank Indonesia.

According to Agus, financial technology including digital commerce needs to be arranged to implement prudential principles, safeguarding business competition, risk control, and consumer protection.

"Level playing fields with formal financial institutions need to be maintained, we require all financial technology activists who move in the payment system to register with Bank Indonesia, report on activities, and conduct trials in the regulatory sandbox. We view digital technology as bringing huge changes and high uncertainty to the future economic model, and we, as policy makers, need to anticipate the developments brought about by these fundamental changes."

## Threat To The Banking System

With a population close to 300 million across its 34 provinces, [Indonesia](#) is the world's fourth most populous country, the most populous Austronesian nation, as well as the most populous Muslim-majority country. Indonesia's economy, which is the largest in southeast Asia, is also the world's 16th largest by nominal GDP and the 7th largest by GDP at PPP.

[Bitcoin has been a popular alternative](#) for Indonesians, with 11% of the population living below the poverty line and 75% percent of the population considered to be unbanked, making Indonesia one of the largest unbanked countries in Asia. It's easy to see why the government of Indonesia is forcing people to become more actively involved in the country's banking system by limiting their options.

A new set of regulations for [bitcoin and other cryptocurrencies](#) is scheduled to be released on Monday, December 4th. It's expected that the new regulations will impose a carpet ban on not only bitcoin but all cryptocurrencies across the board.

## Blockchain Run?

Following the announcement, in what comes across as exploitative FUD, the Indonesian wing of a tabloid based in Hong Kong, Coconuts, urged [bitcoin users](#) in the country to 'cash in' on their assets, saying:

"Experts are divided about the future of bitcoin — some believe that the value of cryptocurrency still has far to soar while others are predicting that it represents a speculative bubble that could burst at any time due to [lack of regulations](#). It might be necessary for owners of bitcoin in Indonesia to cash in on their digital asset soon in the face of its impending ban by the government."

## Could Other Governments Follow Suit?

Meanwhile, over in the US, White House Press Secretary Sarah Huckabee Sanders said that the Trump administration is [monitoring bitcoin](#) and may consider regulating it.

"I know this is something that is being actively monitored by our team here. In terms of specific briefings and announcements on it, I don't have anything that I can share with you right now but would be happy to follow back up with you."

## Reaction

It should come as no surprise when governments around the world start taking an [aggressive stance against cryptocurrencies](#). While cryptocurrencies are still being actively used by only 0.01% of the world's population, given the attention generated in the media, and various economic experts denouncing the crypto market as a speculative bubble, if left unbridled, they pose a very real threat capable of unhinging the world's economy.

Very much like the early internet era, even though the crypto bubble will burst one day, cryptocurrencies cannot be put down forever. Rest assured that the future of the world's [economy will be built on the blockchain](#).

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